



Retail Leakage and Surplus Analysis

The Retail Leakage and Surplus Analysis examines the quantitative aspect of the community's retail opportunities. It is a guide to understanding retail opportunities but it is not an analysis that indicates unconditional opportunities. The analysis is sometimes called "a gap analysis" or "a supply and demand analysis" and can aid in the following:

- Indicating how well the retail needs of local residents are being met
- Uncovering unmet demand and possible opportunities
- Understanding the strengths and weaknesses of the local retail sector
- Measuring the difference between actual and potential retail sales

Understanding Retail Leakage

Retail leakage means that residents are spending more for products than local businesses capture. Retail sales leakage suggests that there is unmet demand in the trade area and that the community can support additional store space for that type of business.

However, retail leakage does not necessarily translate into opportunity. For example, there could be a strong competitor in a neighboring community that dominates the market for that type of product or store.

Understanding Retail Surplus

A retail surplus means that the community's trade area is capturing the local market plus attracting non-local shoppers. A retail surplus does not necessarily mean that the community cannot support additional business. Many communities have developed strong clusters of stores that have broad geographic appeal. Examples of these types of retailers include: sporting goods stores, home furnishing stores, restaurants, and other specialty operations that become destination retailers and draw customers from outside the trade area.

Examining the quantitative aspects (Leakage/Surplus) is only part of the evaluation of community's retail opportunities. Before any conclusions can be drawn about potential business expansion or recruitment opportunities, qualitative considerations such as trade area psychographics and buying habits must be analyzed in context of other market factors.

Interpreting Leakage Index

1.0 = equilibrium, meaning that demand and sales in the area being analyzed are in balance.

.80 = demand exceeds sales by 20%, meaning that consumers are leaving the area being analyzed.

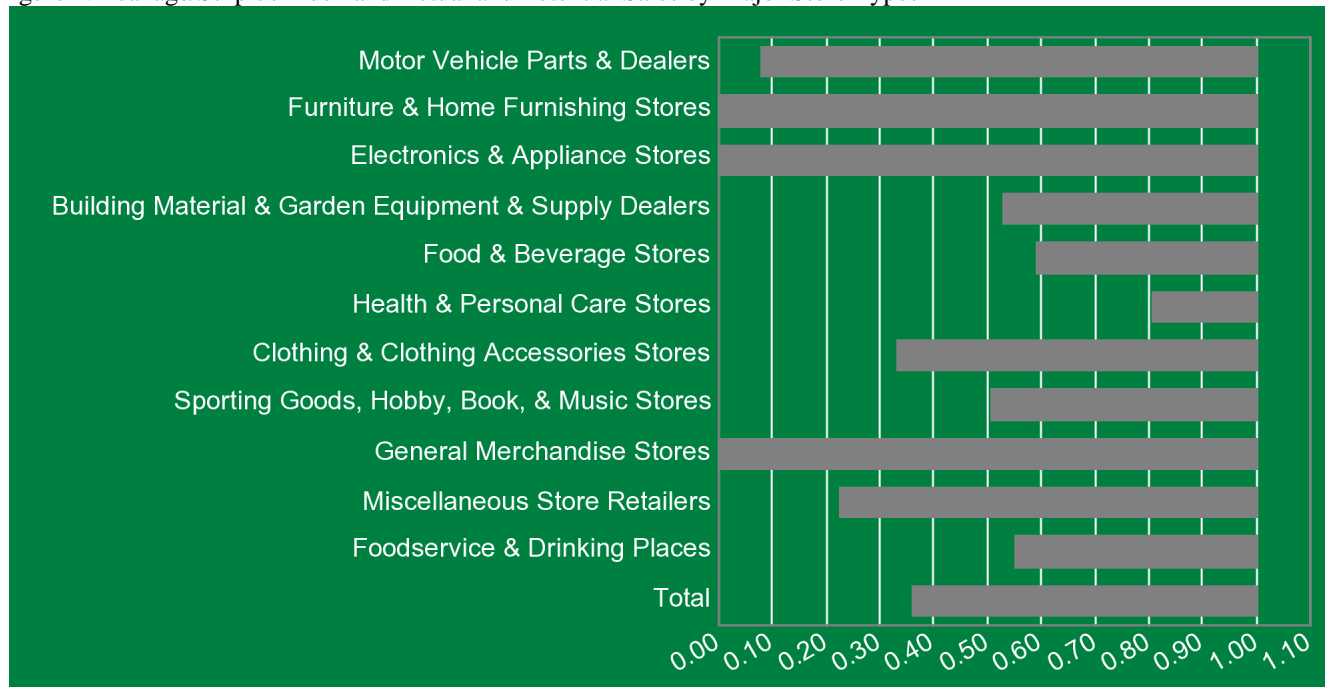
1.2 = sales exceed demand by 20%, meaning that consumers are coming from outside the area being analyzed.

Leakage/Surplus Index by Major Store Type

The quantitative comparison of retail leakage and surplus in the twelve major store types shown in the chart and table below provides an initial measure of market opportunities. Combining this analysis with the knowledge of the local retail situation will take the process of identifying retail possibilities one step further.

Figure 1 provides the leakage/surplus indices and following is the sales potential and actual sales for major store types.

Figure 1. Leakage/Surplus Index and Actual and Potential Sales by Major Store Types



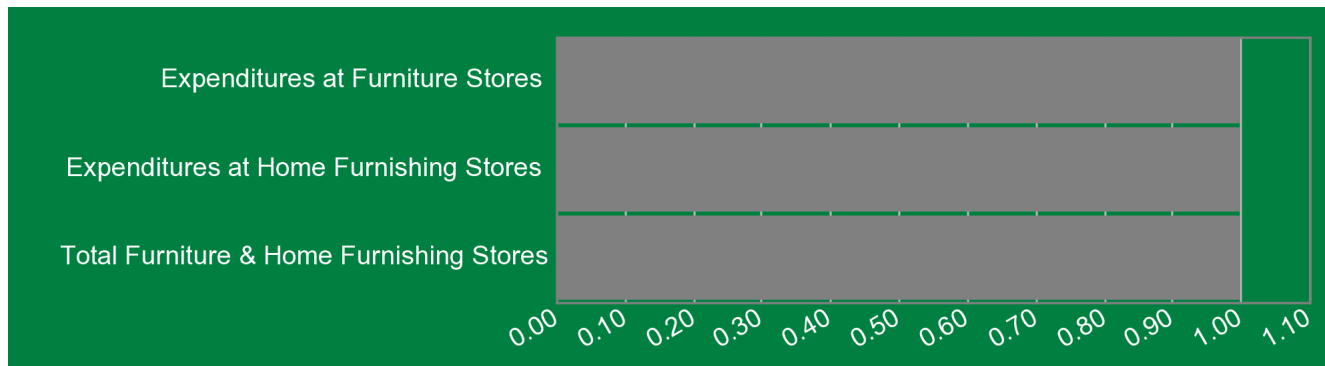
Store Type	Potential	Actual Sales	Surplus/Leakage
Motor Vehicle Parts & Dealers	15,355,226	1,254,897	0.1
Furniture & Home Furnishing Stores	1,751,267	0	0.0
Electronics & Appliance Stores	1,960,746	0	0.0
Building Material & Garden Equipment & Supply Dealers	6,118,448	3,232,038	0.5
Food & Beverage Stores	12,606,456	7,482,629	0.6
Health & Personal Care Stores	5,313,661	4,295,377	0.8
Clothing & Clothing Accessories Stores	4,801,143	1,590,653	0.3
Sporting Goods, Hobby, Book, & Music Stores	1,605,247	814,986	0.5
General Merchandise Stores	3,821,613	0	0.0
Miscellaneous Store Retailers	2,123,616	478,302	0.2
Foodservice & Drinking Places	5,345,880	2,958,839	0.6
Total	60,803,303	22,107,721	0.4

Sub-Categories of Motor Vehicle Parts & Dealers



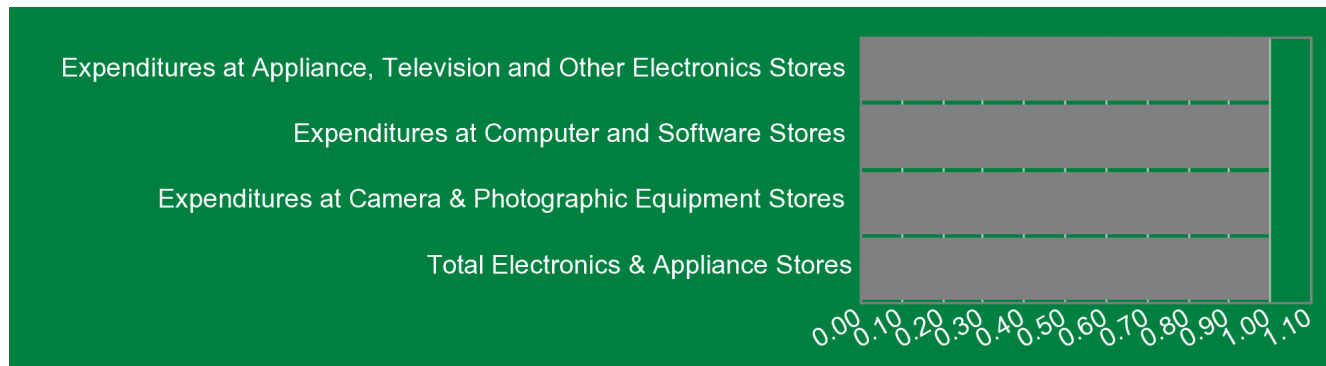
Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Automotive Dealers	12,925,903	0	0.0
Expenditures at Other Motor Vehicle Dealers	750,746	0	0.0
Expenditures at Automotive Parts, Accessories, & Tire Stores	1,678,577	1,254,897	0.7
Total Motor Vehicle Parts & Dealers	15,355,226	1,254,897	0.1

Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Furniture Stores	930,090	0	0.0
Expenditures at Home Furnishing Stores	821,177	0	0.0
Total Furniture & Home Furnishing Stores	1,751,267	0	0.0

Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Appliance, Television and Other Electronics Stores	1,453,477	0	0.0
Expenditures at Computer and Software Stores	463,980	0	0.0
Expenditures at Camera & Photographic Equipment Stores	43,289	0	0.0
Total Electronics & Appliance Stores	1,960,746	0	0.0

Sub-Categories of Building Material & Garden Equipment & Supply Dealers



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Home Centers	2,381,658	0	0.0
Expenditures at Paint and Wallpaper Stores	253,337	0	0.0
Expenditures at Hardware Stores	433,419	1,913,102	4.4
Expenditures at Other Building Materials Dealers	1,924,404	121,847	0.1
Expenditures at Outdoor Power Equipment Stores	189,312	0	0.0
Expenditures at Nursery and Garden centers	936,318	1,197,089	1.3
Total Building Material & Garden Equipment & Supply Dealers	6,118,448	3,232,038	0.5

Sub-Categories of Food & Beverage Stores



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Supermarkets and Other Grocery (except Convenience) Stores	10,831,034	5,718,031	0.5
Expenditures at Convenience Stores	527,532	0	0.0
Expenditures at Specialty Food Stores	419,085	1,442,630	3.4
Expenditures at Beer, Wine, & Liquor Stores	828,805	321,968	0.4
Total Food & Beverage Stores	12,606,456	7,482,629	0.6

Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Pharmacies and Drug Stores	4,328,461	3,527,182	0.8
Expenditures at Cosmetics, Beauty Supplies and Perfume Stores	278,250	768,195	2.8
Expenditures at Optical Goods Stores	332,498	0	0.0
Expenditures at Other Health and Personal Care Stores	374,452	0	0.0
Total Health & Personal Care Stores	5,313,661	4,295,377	0.8

Sub-Categories of Clothing & Clothing Accessories Stores



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Mens Clothing Stores	207,412	0	0.0
Expenditures at Womens Clothing Stores	789,880	0	0.0
Expenditures at Childrens and Infants Clothing Stores	258,139	0	0.0
Expenditures at Family Clothing Stores	1,977,106	0	0.0
Expenditures at Clothing Accessories Stores	143,227	1,590,653	11.1
Expenditures at Other Clothing Stores	287,887	0	0.0
Expenditures at Shoe Stores	634,665	0	0.0
Expenditures at Jewelry Stores	467,197	0	0.0
Expenditures at Luggage & Leather Goods Stores	35,630	0	0.0
Total Clothing & Clothing Accessories Stores	4,801,143	1,590,653	0.3

Sub-Categories of Sporting Goods, Hobby, Book, & Music Stores



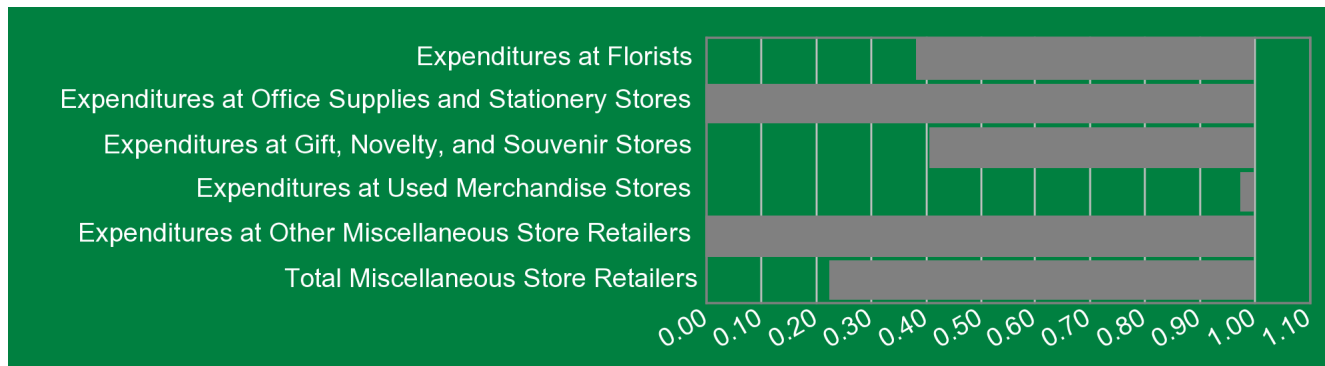
Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Sporting Goods Stores	770,741	0	0.0
Expenditures at Hobby, Toys and Games Stores	373,409	0	0.0
Expenditures at Sew/Neddlework/Piece Goods Stores	49,551	0	0.0
Expenditures at Musical Instrument and Supplies Stores	57,679	0	0.0
Expenditures at Book Stores and News Dealers	290,784	814,986	2.8
Expenditures at Prerecorded Tape, Compact Disc, and Record Stores	63,083	0	0.0
Total Sporting Goods, Hobby, Book, & Music Stores	1,605,247	814,986	0.5

Sub-Categories of General Merchandise Stores



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Department Stores excluding leased depts	3,821,613	0	0.0
Total General Merchandise Stores	3,821,613	0	0.0

Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Florists	159,755	61,435	0.4
Expenditures at Office Supplies and Stationery Stores	380,968	0	0.0
Expenditures at Gift, Novelty, and Souvenir Stores	287,838	117,917	0.4
Expenditures at Used Merchandise Stores	306,344	298,950	1.0
Expenditures at Other Miscellaneous Store Retailers	988,711	0	0.0
Total Miscellaneous Store Retailers	2,123,616	478,302	0.2

Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Limited-service Eating Places	4,142,625	1,974,843	0.5
Expenditures at Special Foodservices	814,164	0	0.0
Expenditures at Drinking Place - Alcoholic Beverages	389,091	0	0.0
Total Foodservice & Drinking Places	5,345,880	2,958,839	0.6

Sources and Methodology

The primary data sources used in the construction of the database include:

- Current Year CAPE (Census Area Projections & Estimates) Consumer Expenditure Estimates
- Census of Retail Trade, Merchandise Line Sales
- Census Bureau Monthly Retail Trade

The Census of Retail Trade presents a table known as the Merchandise Line summary, which relates approximately 120 merchandise lines (e.g. hardware) to each of the store types. For each merchandise line, the distribution of sales by store type can be computed, yielding a conversion table which apportions merchandise line sales by store type.

The CAPE (Census Area Projections & Estimates) Consumer Expenditure database was re-computed to these merchandise lines by aggregating both whole and partial categories, yielding, at the block group level, a series of merchandise line estimates which are consistent with the CAPE Consumer Expenditure database.

These two components were then combined in order to derive estimated potential by store type. The results were then compared to current retail trade statistics to ensure consistency and completeness.